

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF POLICY**

**FOR  
REPRESENTATION ON CORPORATE BOARDS OF DIRECTORS**

**February 17, 2009**

*This policy is effective immediately upon adoption, augments existing Statements of Incompatible Activities for CalPERS Board members and Staff, and supersedes all other policies pertaining to representation on corporate boards of directors.*

**I. PURPOSE**

This Policy sets forth the circumstances under which the California Public Employees' Retirement System ("CalPERS") considers seeking representation on the board of directors of a corporation in which CalPERS invests. This Policy also acknowledges Board members' and Staff's rights to engage in corporate board activities outside of their roles with CalPERS, to the extent those activities are compatible with their CalPERS roles.

**II. RESPONSIBILITIES**

- A. The CalPERS' Board of Administration is responsible for approving and amending this policy.
- B. Except as otherwise specified within this document, CalPERS' Chief Executive Officer is responsible for implementing these policies and procedures, and for making further delegations to subordinate Staff as necessary.

**III. POLICY PARAMETERS**

- A. CalPERS Representation on a Corporate Board
  - 1. For purposes of this policy, "CalPERS representation" means that the corporate director (or director nominee) is a CalPERS representative. A CalPERS representative is one or more of the following:
    - a. A CalPERS Board member
    - b. A member of CalPERS staff

- c. A person retained by CalPERS to undertake the corporate representation, and contractually charged with fiduciary duties to CalPERS' participants.
2. CalPERS shall neither accept nor seek the election of a CalPERS representative to the board of directors of a corporation in which CalPERS invests except in one or more of the following circumstances:
  - a. The level or structure of CalPERS' stock ownership in the corporation is such that CalPERS shall likely, in the opinion of legal counsel, be deemed by the Securities and Exchange Commission or the courts a "controlling shareowner" or otherwise have a fiduciary duty to the corporation.
  - b. In the opinion of the Investment Committee ("Committee"), after consultation with investment and legal experts, the benefits of CalPERS' representation on the corporate board outweigh the risks of increased liability exposure, potential conflicts of interest, and trading restrictions.

By way of illustration only (and without limiting the Committee's consideration of this issue), the Committee may rely upon this cost/benefit analysis to decide to seek CalPERS corporate board representation as part of CalPERS' Corporate Governance program.

3. The Committee's decision concerning seeking or accepting corporate board representation for CalPERS is expressly not delegated and remains solely with the Committee.
4. If a CalPERS representative is elected or appointed to a corporate board of directors, that representative will face potentially dual fiduciary duties. A CalPERS representative shall at all times be mindful of the potential conflict of interest, and shall recuse himself or herself from decisions by either the corporation or CalPERS in situations where an actual conflict exists.
  - a. When making the decision about seeking or accepting CalPERS representation, and in designating the appropriate CalPERS representative, the Committee shall consider (among other issues) the impact on CalPERS of a recusal by the CalPERS representative.

- b. The Board's General Counsel shall ensure that the CalPERS representative has access to the Board's outside fiduciary and securities counsel for advice and consultation regarding potential conflict issues.
  - c. A CalPERS representative shall accept no compensation from the corporation for being a director. CalPERS shall receive any director fees or other compensation paid by the corporation to directors, according to the corporation's standard director compensation policies.
- B. Unrelated Representation on a Corporate Board by CalPERS Board or Staff  
CalPERS' Board or Staff members may seek or accept positions on corporate boards, where those positions are unrelated to the Board or Staff member's CalPERS role and only when in compliance with both the Political Reform Act (Gov. Code sec. 81000 et seq.) and CalPERS' Statement of Incompatible Activities.

**IV. GLOSSARY OF TERMS**

There are no master glossary of terms contained in this policy.

Adopted by the Investment Committee:	March 16, 1998
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